

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4495-01
Bill No.: HJR 42
Subject: Bonds - General Obligation and Revenue; Education, Elementary and Secondary;
Constitutional Amendments
Type: Original
Date: February 3, 2014

Bill Summary: This legislation proposes a constitutional amendment authorizing voters to approve an increase in the level of school district bonded indebtedness.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 or (More than \$7,100,000)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	\$0 or (More than \$7,100,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government*	\$0	\$0	\$0

***Offsetting Transfers In and Expenses are \$0 or More than \$7,100,000 in FY 2015.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Accounting** and the **Office of the Governor** each stated no fiscal impact to their agency.

According to officials from the **Office of Secretary of State - Division of Elections (SOS)**, each year a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII, Section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, subsection 115.063.2, RSMo, requires the state to pay the costs. The cost of the special election has been estimated to be \$7.1 million based on the cost of the 2012 Presidential Preference Primary. This figure was determined through analyzing and totaling expense reports from the 2012 Presidential Preference Primary received from local election authorities.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and sections 116.230-116.290, RSMo. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue). Therefore, the SOS assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, the SOS reserves the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of the SOS appropriation.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education** assume the proposal would increase the aggregate bond limit of school districts by billions of dollars. The actual effects of this proposal at the local level are dependent on the actions of the local school board in each district presenting bond issues to the voters and the actions of their local voters in approving or defeating proposed bond issues.

School districts cannot enter into general obligation bond debt without a super-majority voter approval. There is the potential for significant increases in debt obligations that have to be paid for by the taxpayers of a district. The protection is that a school board cannot just decide to sell bonds for a particular project. The school board must get voter approval and the super-majority level depends upon which election the issue is presented to the voters.

Even at the current 15% level, districts are not always successful in convincing voters to approve a bond issue. They will not all be successful if the level is raised to 25%. However, this proposal would give voters the option. For some districts, 15% of their assessed valuation would not provide enough bonding capacity to do the classroom additions or new building that may be needed. Raising the limit to a range between 15% and 25% offers the potential for more bonding capacity subject to voter approval.

Officials from the **Parkway School District, Francis Howell School District, and the Nixa School District** assumed no fiscal impact to their respective school districts.

Officials from the following school districts: Blue Springs, Branson, Caruthersville, Charleston R-I, Cole R-I, Columbia, Fair Grove, Fulton, Harrison R-IX, Independence, Jefferson City, Johnson County R-7, Kansas City, Kirksville, Kirbyville R-V, Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to **Oversight's** request for fiscal impact.

Officials from the **Kansas City Election Board** assume the proposal has no direct fiscal impact on their operations.

Officials from the **Platte County Board of Elections** state no direct fiscal impact.

ASSUMPTION (continued)

Officials from the following local election authorities: St. Louis City Board of Elections, Clay County Board of Elections, Jackson County Board of Elections, and the St. Louis County Board of Elections did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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GENERAL REVENUE

<u>Transfer Out</u> - Office of Secretary of State - Reimbursement to local election authorities for election costs if a special election is called	\$0 or (More than <u>\$7,100,000</u>)	<u>\$0</u>	<u>\$0</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 or (More than \$7,100,000)</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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LOCAL POLITICAL SUBDIVISIONS

<u>Transfer In</u> - Local Election Authorities - Cost reimbursement from the State for a special election	\$0 or More than \$7,100,000	\$0	\$0
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<u>Expense</u> - Local Election Authorities - Cost of special election	\$0 or (More than <u>\$7,100,000</u>)	<u>\$0</u>	<u>\$0</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Upon voter approval, this proposed constitutional amendment allows a school district to become indebted in an amount exceeding 15% but not more than 25% of the value of the taxable tangible property in the district if the voters also approve a separate question at the same election authorizing the district to become indebted in an amount specified in the separate question.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
 Division of Accounting
Office of the Governor
Office of Secretary of State
 Division of Elections
Department of Elementary and Secondary Education
School Districts
 Parkway
 Francis Howell
 Nixa
Local Election Boards
 Platte County
 Kansas City

Mickey Wilson, CPA
Director
February 3, 2014



Ross Strope
Assistant Director

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